

**NORTHVIEW PUBLIC SCHOOLS**  
**Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2006

**NORTHVIEW PUBLIC SCHOOLS**  
**Table of Contents**

For the year ended June 30, 2006

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**Financial Section**

<i>Independent Auditor's Report</i> .....	1
<i>Management's Discussion and Analysis</i> .....	3
<i>Basic Financial Statements</i> .....	13
District-wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities .....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund .....	20
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	21
Statement of Changes in Fiduciary Net Assets .....	22
Notes to Basic Financial Statements .....	23

# NORTHVIEW PUBLIC SCHOOLS

## Table of Contents (Continued)

For the year ended June 30, 2006

---

### *Supplemental Information*

#### Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds.....	41
Combining Balance Sheet.....	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	44
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	46
Athletics Special Revenue Fund.....	47

**Federal Financial Assistance Programs Supplemental Information ..... Issued Under Separate Cover**

## **FINANCIAL SECTION**

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

September 15, 2006

The Board of Education  
Northview Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Northview Public Schools (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Northview Public Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of Northview Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Northview Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungerford, Aldrin, Nichols & Carter, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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As management of the Northview Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

**District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.



**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**Condensed District-Wide Financial Information**

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets	\$ 14,747,708	\$ 12,612,220
Capital assets, net book value	<u>26,157,060</u>	<u>26,554,687</u>
<b>Total Assets</b>	<b><u>40,904,768</u></b>	<b><u>39,166,907</u></b>
<b>Liabilities</b>		
Current liabilities	8,607,653	8,665,672
Long-term liabilities	<u>21,699,560</u>	<u>22,917,059</u>
<b>Total Liabilities</b>	<b><u>30,307,213</u></b>	<b><u>31,582,731</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,665,049	2,677,263
Restricted	2,842,698	1,735,601
Unrestricted	<u>4,089,808</u>	<u>3,171,312</u>
<b>Total Net Assets</b>	<b><u>\$ 10,597,555</u></b>	<b><u>\$ 7,584,176</u></b>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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The Statement of Activities presents changes in net assets from operating results:

	<b>2006</b>	<b>2005</b>
<b>Program Revenues</b>		
Charges for services	\$ 1,078,632	\$ 969,207
Operating grants	4,899,096	4,138,352
<b>General Revenues</b>		
Property taxes	7,833,538	7,364,450
State school aid, unrestricted	20,177,351	19,829,789
Interest earnings	390,185	153,239
Other	351,454	442,436
<b>Total Revenues</b>	<b>34,730,256</b>	<b>32,897,473</b>
<b>Expenses</b>		
Instruction	18,588,193	17,827,494
Supporting services	9,927,782	9,909,302
Community services	346,471	338,158
Food service	901,658	872,246
Athletics	738,908	728,338
Other	67,068	77,379
Interest on long-term debt	1,146,797	1,221,376
<b>Total Expenses</b>	<b>31,716,877</b>	<b>30,974,293</b>
Increase in net assets	3,013,379	1,923,181
<b>Net Assets - Beginning of Year</b>	<b>7,584,176</b>	<b>5,660,995</b>
<b>Net Assets - End of Year</b>	<b>\$ 10,597,555</b>	<b>\$ 7,584,176</b>

**Financial Analysis of the District as a Whole**

The District's financial position is the product of many factors. As it became apparent over the past year that the State could not commit to a solid funding level, the District as a whole took on the task of conserving and saving any resources available to carry the District through the year, as well as to build up a little more fund balance in order to deal with the demands of the upcoming year.

The District's total revenues increased \$1,832,783, or 5.6 percent, in the fiscal year, and exceeded expenses by \$3,013,379 on the Statement of Activities. Property taxes and unrestricted state aid accounted for 81% of the District's revenue. Along with an increase to \$175 in the State's per-pupil foundation allowance to \$6,875, increases in local property tax valuations and blended student count generated an increase of \$816,650 in combined property taxes and state aid revenue. Federal and state grants for specific programs accounted for 14.1% of total District revenues, increasing \$760,744 over the previous fiscal year. The balance of revenues came from charges for services (pre-school, child care, driver education, leisure-time), donations, interest earnings and other local sources.

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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Total cost of all programs and services fluctuated slightly for the 2005-06 fiscal year, creating the need for amendments to be made between the original and final budgets for 2005-06. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (63 percent). Administrative and business activities accounted for 10 percent, operation and maintenance accounted for 8 percent and central and community services 4 percent. The District's expenses are dominated by staff salaries and benefits, which amount to approximately 75% of total expenses.

The recent good health of the District's finances can be credited to both conservative budgeting and to all staff who are informed and making an effort to help control and maintain costs.

The District has also worked to reduce costs in many areas through collaboration with other districts. The administration will push to increase these and other cost saving programs for the next fiscal year. As State revenues increase slightly this upcoming year, it will still be essential for the District to continue to try to reduce expenditures and maximize revenues.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Northview Public School's funds are described as follows:

**Major Fund**

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$29,069,138, other financing sources of \$49,126, total expenditures of \$27,534,121 and other financing uses of \$659,567. It ended the fiscal year with a fund balance of \$4,334,241, up from \$3,409,665 at June 30, 2005.

**Nonmajor Funds**

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs. Total revenues were \$1,092,687 and other financing sources were \$592,499. Total expenditures were \$1,585,444. The ending fund balances were \$203,766 for the Food Service Fund and \$110,495 for the Athletics Fund.

Debt Service Funds

The District operates three Debt Service funds. Total revenues were \$3,926,082. Total expenditures were \$2,544,288. The ending fund balances in the Debt Service Funds were \$3,121,980, up from \$1,740,186 at June 30, 2005.

Capital Projects Fund

The District operates one Capital Projects Fund, the Building and Site (Sinking) Fund. Total revenues were \$655,532 and total expenditures were \$921,228. Ending fund balances decreased by \$265,696 to a deficit fund balance of \$137,516 at June 30, 2006, due to an improvement project account payable at year end.

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. The balance on hand at June 30, 2006 totaled \$182,384. The Scholarship Fund is held as a Private Purpose Trust Fund for the benefit of District students. The balance on hand at June 30, 2006 totaled \$50,792.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget twice to comply with Michigan Department of Education guidelines. During the school year a monthly update is provided for information at the Board of Education meetings. The final budget amendment occurred in June, which was a summary of all the monthly information updates. Original revenue and expense budgets were developed in a very conservative manner. As the State funding and student population became clearer, appropriate increases were made to revenues and expenses in order to keep the Board of Education and the community aware of the financial status of the district.

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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Variances in actual to budget are detailed as follows:

- Revenues – actual revenues were \$411,671 more than expected.
- Expenditures – actual expenditures were \$135,812 less than budgeted.
- The actual excess of revenues and other financing sources over expenditures and other financing uses for the fiscal year was \$924,576 as compared to the final budgeted excess of expenditures of \$443,244.

**State of Michigan, Unrestricted Aid**

The State of Michigan School Aid, unrestricted, is determined by the following three variables:

1. State of Michigan State Aid Act per student "Foundation Allowance"
2. Student Enrollment – Blended at 75% of the current year fall count and 25% of the prior year winter count
3. The District's non-homestead levy on non-residential properties

Per Student Foundation Allowance – Annually, the State sets the per student foundation allowance. The District's foundation allowance for 2005-06 was \$6,875 per student.

Student Enrollment – The District's student enrollment for the fall count of 2005-06 was 3,347. The past three years the District's enrollments have been stable. We do allow non-resident students to attend using the Kent Intermediate School's of Choice plan and Section 6 applications as the vehicle for entry.

Non-homestead Levy – The district levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. The non-homestead property valuation was \$177,378,237. Total taxable value of all properties was \$535,679,237.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2005-06, the District had a \$47,412,807 investment in a broad range of capital assets including land, school buildings, athletic facilities, administrative offices, transportation and other vehicles, and furniture and equipment. This represents an increase of \$1,033,293 over the previous year.

At June 30, 2006, the District's net investment in capital assets (after accumulated depreciation) was \$26,157,060, at decrease of \$397,628 from the previous year. Depreciation expense charged to District expenses was \$1,430,920 for the fiscal year. Net capital assets of the District at June 30, 2006 are detailed as follows:

Land	\$ 115,296
Construction in progress	562,600
Buildings and additions	25,009,328
Furniture and equipment	127,792
Vehicles	<u>342,044</u>
<b>Net Capital Assets</b>	<b><u>\$ 26,157,060</u></b>

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Long-Term Debt**

At year-end, the District had \$23,151,652 in general obligation bonds and other long-term debt outstanding – a net decrease of \$1,320,821 from the previous year.

- The District continued to pay down its debt, retiring \$1,350,000 of outstanding bonds of the 1996 and 1998 Debt Service Funds.

The District's other obligations include severance pay and accumulated vacation pay and sick leave. There is more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Our elected officials and administration considered many factors when setting the School District's 2006-07 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by "blending" 25% of the February 2006 count with 75% of the September 2006 count. Approximately 66% of total General Fund revenues is from the foundation allowance and 19% is from the collection of non-homestead property taxes. Under State law, the District cannot levy additional property tax revenues for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be on target with the projections which show a stable if not increasing enrollment for the 2006-07 school year.
- The State has increased the per pupil foundation grant \$210 (to \$7,085) which is dependent on State revenue from sales tax. This increase is not guaranteed and subject to reduction at any time by the State. The State has also indicated additional monies to those districts at the base foundation and for all students in grades 6-8 for math advancement. Northview will benefit from both of these categoricals.
- The District was able to slow the growth of health insurance costs for teachers by agreeing to an alternate plan for non-union employees. Insurance costs increased for teachers and are projected to increase 12-15% annually in the future. All other staff members continue to be part of a self-funded health insurance pool which continues to be less expensive plan compared to employees not in this pool. The District is still concerned with the increase in required contributions to the employee retirement system. Costs increased 1.4% on all salaries for 2005-06 and are projected to increase 2% annually. Since salaries are the single highest expense in the budget, this cost alone will consume most of the increase in State Aid monies for the 2007 fiscal year.
- A new master teacher contract was approved in August of 2005. It called for a one percent increase of the teachers' base salary for 2005-06 and a 1.5% increase to the base salary in 2006-07.

**NORTHVIEW PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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- Due to the stagnant economy in the State of Michigan, the 2006-07 fiscal year budget was developed using a conservative approach. Additional staff and additional hours were approved in order to meet the needs of an ever increasing diverse population. Expenditures will be watched closely in the 2006-07 fiscal year due to anticipated expenditures exceeding revenues by \$654,862.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Northview Public Schools, 4365 Hunsberger NE, Grand Rapids, MI 49525. Contact by phone at (616) 363-6861. Contact by e-mail at [jzielinski@nvps.net](mailto:jzielinski@nvps.net).

## **BASIC FINANCIAL STATEMENTS**



**NORTHVIEW PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 1,446
Cash equivalents, deposits and investments (Note B)	10,175,551
Receivables:	
Taxes (Note C)	142,773
Accounts	75,348
Due from other governmental units (Note C)	4,206,213
Inventory (Note A)	130,061
Prepaid expenses	16,316
<b>Total Current Assets</b>	<u>14,747,708</u>
<b>Noncurrent Assets</b>	
Capital assets (Note E)	47,412,807
Less accumulated depreciation	<u>(21,255,747)</u>
<b>Total Noncurrent Assets</b>	<u>26,157,060</u>
<b>Total Assets</b>	<u>40,904,768</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	416,174
State aid anticipation loan payable (Note F)	4,000,000
Due to other governmental units	1,011,667
Payroll withholdings payable	19,264
Accrued interest payable	284,392
Salaries payable	1,424,064
Current portion of long term obligations	1,452,092
<b>Total Current Liabilities</b>	<u>8,607,653</u>
<b>Noncurrent Liabilities (Notes A, G)</b>	
General obligation bonds payable	22,060,000
Durant non-plaintiff bonds payable	432,010
Severance pay	205,131
Accumulated vacation/sick leave	454,511
Current portion of long term obligations	<u>(1,452,092)</u>
<b>Total Noncurrent Liabilities</b>	<u>21,699,560</u>
<b>Total Liabilities</b>	<u>30,307,213</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,665,049
Restricted for:	
Debt service	2,974,078
Capital projects	(131,380)
Unrestricted	4,089,808
<b>Total Net Assets</b>	<u><u>\$ 10,597,555</u></u>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 18,588,193	\$ 66,591	\$ 4,218,422	\$(14,303,180)
Supporting services	9,927,782	28,319	265,780	(9,633,683)
Community services	346,471	287,997	-	(58,474)
Food service	901,658	571,148	363,515	33,005
Athletics	738,908	124,577	-	(614,331)
Other	67,068	-	-	(67,068)
Interest on long-term debt	1,146,797	-	51,379	(1,095,418)
<b>Total Governmental Activities</b>	<b>\$ 31,716,877</b>	<b>\$ 1,078,632</b>	<b>\$ 4,899,096</b>	<b>(25,739,149)</b>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				3,454,385
Property taxes, levied for debt service				3,735,080
Property taxes, levied for capital projects				644,073
State school aid, unrestricted				20,177,351
Interest and investment earnings				390,185
Other				351,454
<b>Total General Revenues</b>				<b>28,752,528</b>
<b>Change in Net Assets</b>				<b>3,013,379</b>
<b>Net Assets - Beginning of Year</b>				<b>7,584,176</b>
<b>Net Assets - End of Year</b>				<b>\$ 10,597,555</b>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 1,039	\$ 407	\$ 1,446
Cash equivalents, deposits and investments (Note B)	6,548,530	3,627,021	10,175,551
Receivables:			
Taxes (Note C)	100,948	41,825	142,773
Accounts	50,000	-	50,000
Due from other funds (Note D)	49,098	81,866	130,964
Due from other governmental units (Note C)	4,198,670	7,543	4,206,213
Inventory (Note A)	112,863	17,198	130,061
Prepaid expenditures	16,316	-	16,316
<b>Total Assets</b>	<u><u>\$ 11,077,464</u></u>	<u><u>\$ 3,775,860</u></u>	<u><u>\$ 14,853,324</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 389,200	\$ 389,200
State aid anticipation loan payable (Note F)	4,000,000	-	4,000,000
Due to other funds (Note D)	101,940	30,650	132,590
Due to other governmental units	1,010,569	1,098	1,011,667
Payroll withholdings payable	19,264	-	19,264
Accrued interest payable	100,800	-	100,800
Salaries payable	1,409,702	14,362	1,424,064
Deferred revenue	100,948	41,825	142,773
<b>Total Liabilities</b>	<u><u>6,743,223</u></u>	<u><u>477,135</u></u>	<u><u>7,220,358</u></u>
<b>Fund Balances</b>			
Reserved for:			
Debt service	-	3,121,980	3,121,980
Capital outlay	-	(137,516)	(137,516)
Unreserved:			
Undesignated, reported in:			
General fund	4,334,241	-	4,334,241
Special revenue funds	-	314,261	314,261
<b>Total Fund Balances</b>	<u><u>4,334,241</u></u>	<u><u>3,298,725</u></u>	<u><u>7,632,966</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 11,077,464</u></u>	<u><u>\$ 3,775,860</u></u>	<u><u>\$ 14,853,324</u></u>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2006**

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<b>Total governmental fund balances</b>		\$ 7,632,966
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$47,412,807 and accumulated depreciation is \$21,255,747.		
		26,157,060
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(22,060,000)	
Durant non-plaintiff bonds	(432,010)	
Severance pay	(205,131)	
Accumulated vacation/sick leave	<u>(454,511)</u>	(23,151,652)
Accrued interest is not included as a liability in governmental funds.		(183,592)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>142,773</u>
<b>Total net assets - governmental activities</b>		<u><u>\$ 10,597,555</u></u>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2006**

	General	Nonmajor	Total
<b>Revenues</b>			
Local sources	\$ 4,407,585	\$ 5,259,407	\$ 9,666,992
State sources	20,630,099	98,702	20,728,801
Federal sources	989,300	316,192	1,305,492
Interdistrict sources	3,042,154	-	3,042,154
<b>Total Revenues</b>	<u>29,069,138</u>	<u>5,674,301</u>	<u>34,743,439</u>
<b>Expenditures</b>			
Current:			
Instruction	16,926,018	-	16,926,018
Supporting services	8,707,519	720	8,708,239
Community services	334,823	-	334,823
Food service	-	878,580	878,580
Athletics	-	706,864	706,864
Capital outlay	-	920,508	920,508
Debt service:			
Principal repayment	-	1,385,414	1,385,414
Interest and fiscal charges	-	1,158,874	1,158,874
Interdistrict	1,565,761	-	1,565,761
<b>Total Expenditures</b>	<u>27,534,121</u>	<u>5,050,960</u>	<u>32,585,081</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,535,017</u>	<u>623,341</u>	<u>2,158,358</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	592,499	592,499
Other	49,126	-	49,126
Transfers out	(592,499)	-	(592,499)
Other	(67,068)	-	(67,068)
<b>Total Other Financing Sources (Uses)</b>	<u>(610,441)</u>	<u>592,499</u>	<u>(17,942)</u>
<b>Net Change in Fund Balances</b>	924,576	1,215,840	2,140,416
<b>Fund Balances, Beginning of Year</b>	<u>3,409,665</u>	<u>2,082,885</u>	<u>5,492,550</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 4,334,241</u></u>	<u><u>\$ 3,298,725</u></u>	<u><u>\$ 7,632,966</u></u>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2006**

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**Net change in fund balances - total governmental funds** \$2,140,416

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 1,033,293	
Depreciation expense	<u>(1,430,920)</u>	(397,627)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (62,308)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 1,385,414

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 12,077

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$255,880) exceeded the amounts used/paid (\$191,287). (64,593)

**Total changes in net assets - governmental activities** \$ 3,013,379

**NORTHVIEW PUBLIC SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 4,110,217	\$ 4,310,490	\$ 4,407,585	\$ 97,095
State sources	19,451,192	20,504,730	20,630,099	125,369
Federal sources	1,521,371	984,213	989,300	5,087
Interdistrict sources	2,582,000	2,858,034	3,042,154	184,120
<b>Total Revenues</b>	<u>27,664,780</u>	<u>28,657,467</u>	<u>29,069,138</u>	<u>411,671</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	12,716,044	13,299,512	13,218,617	80,895
Added needs	4,002,613	3,419,154	3,669,499	(250,345)
Adult education	49,530	46,636	37,902	8,734
Supporting services:				
Pupil services	808,607	821,343	735,381	85,962
Instructional staff services	652,707	799,245	791,712	7,533
General administrative services	554,058	525,260	497,438	27,822
School administrative services	1,404,242	1,504,853	1,515,947	(11,094)
Business services	919,291	1,073,858	996,053	77,805
Operation and maintenance services	2,448,659	2,693,743	2,687,853	5,890
Pupil transportation services	1,037,147	854,226	669,488	184,738
Central services	487,043	876,525	813,647	62,878
Community services	813,369	347,211	334,823	12,388
Interdistrict	1,782,970	1,408,367	1,565,761	(157,394)
<b>Total Expenditures</b>	<u>27,676,280</u>	<u>27,669,933</u>	<u>27,534,121</u>	<u>135,812</u>
<b>Excess Of Revenues Over Expenditures</b>	<u>(11,500)</u>	<u>987,534</u>	<u>1,535,017</u>	<u>547,483</u>
<b>Other Financing Sources (Uses)</b>				
Other	11,500	49,126	49,126	-
Transfers out	-	(592,499)	(592,499)	-
Other	-	(917)	(67,068)	(66,151)
<b>Total Other Financing Sources (Uses)</b>	<u>11,500</u>	<u>(544,290)</u>	<u>(610,441)</u>	<u>(66,151)</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>443,244</u>	<u>924,576</u>	<u>481,332</u>
<b>Fund Balances, July 1</b>	<u>3,409,665</u>	<u>3,409,665</u>	<u>3,409,665</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 3,409,665</u></u>	<u><u>\$ 3,852,909</u></u>	<u><u>\$ 4,334,241</u></u>	<u><u>\$ 481,332</u></u>

See accompanying notes to basic financial statements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2006**

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 50,792	\$ 155,410
Due from other funds (Note D)	-	26,974
<b>Total Assets</b>	<u>\$ 50,792</u>	<u>\$ 182,384</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 275
Due to other funds (Note D)	-	25,348
Due to student groups	-	156,761
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 182,384</u>
<b>Net Assets</b>		
Held in trust for:		
Individuals and organizations	<u>\$ 50,792</u>	

See accompanying notes to basic financial statements.



**NORTHVIEW PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2006**

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	Private Purpose Trust Fund
<b>Additions</b>	
Interest earned	\$ 6,662
<b>Deductions</b>	
Endowment activities:	
Scholarships	8,942
<b>Change In Net Assets</b>	(2,280)
<b>Net Assets, Beginning of Year</b>	53,072
<b>Net Assets, End of Year</b>	\$ 50,792

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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## **Note A – Summary of Significant Accounting Policies**

Northview Public Schools was organized under the School Code of the State of Michigan, and services a population of approximately 3,347 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Northview Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. District-Wide and Fund Financial Statements**

**District-Wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

#### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with sinking fund millage. The District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Northview Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Northview Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

#### **5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

#### **6. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**7. Inventory**

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

**8. Capital Assets**

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	30-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

**9. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**10. Severance Pay/Accumulated Vacation and Sick Leave**

Severance pay and accumulated vacation/sick leave at June 30, 2006 have been computed and recorded in the basic financial statements of the District. Eligible District employees who retire are entitled to payments based on their age, years of service, compensation and unused vacation/sick days. At June 30, 2006, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay and accumulated vacation/sick leave amounted to \$205,131 and \$454,511, respectively.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**11. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**13. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash Equivalents and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.



**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 10,175,551
Fiduciary Funds:	
Trust and Agency Funds	<u>206,202</u>
	<u>\$ 10,381,753</u>

**Cash Equivalents and Deposits**

Depositories actively used by the District during the year are detailed as follows:

1. Chase J.P. Morgan Bank, N.A.

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2006 balances are detailed as follows:

Cash equivalents	<u>\$ 13,502</u>
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*Custodial credit risk*

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$13,502 and the bank balance was \$13,502. Of the bank balance, \$13,502 was covered by federal depository insurance.

**Investments**

As of June 30, 2006 the District had the following investments:

	<u><b>Fair Value</b></u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund	<u>\$ 10,368,251</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

*Credit Risk*

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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*Concentration of Credit Risk*

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

The District is not authorized to invest in investments which have this type of risk.

**Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2004 ad valorem State Education Taxes generated within the Northview Public School District, and paid to the State of Michigan, totaled \$3,210,499.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2005 and September, 2005. The 2005-06 "Foundation Allowance" for Northview Public Schools was \$6,875 for 3,333 "Full Time Equivalent" students, generating \$20,609,432 in state aid payments to the District of which \$3,725,458 was paid to the District in July and August, 2006 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2006.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the Township of Ada and the Charter Townships of Grand Rapids and Plainfield. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

<b>Year</b>	<b>General</b>	<b>Debt Service</b>	<b>Building &amp; Site</b>	<b>Total</b>
2005	\$ 66,092	\$ 22,767	\$ 3,927	\$ 92,786
2004	2,331	275	6	2,612
2003	32,525	12,647	2,203	47,375
	<u>\$ 100,948</u>	<u>\$ 35,689</u>	<u>\$ 6,136</u>	<u>\$ 142,773</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Northview Public Schools electors had previously (June 11, 1990) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2004.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

The District levied a .75 recreation millage, 7.00 mills for debt service purposes and 1.2072 mills for building and site in 2005, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

**Note D – Interfund Receivables/Payables and Transfers**

Amounts due from (to) other funds representing interfund receivables and payables for unreimbursed 2005-06 expenditures and property tax reallocations at June 30, 2006 are detailed as follows:

	<b>Due From</b>	<b>Due To</b>
General Fund:		
Food Service Fund	\$ 749	\$ 3,376
Athletics Fund	29,045	—
1996 Debt Service Fund	—	35,717
1998 Debt Service Fund	—	26,040
Building and Site Fund	—	10,689
Student Activities Fund	19,304	26,118
Total General Fund	49,098	101,940
Special Revenue Funds:		
Food Service Fund:		
General Fund	3,376	749
Student Activities Fund	3,873	—
Athletics Fund:		
General Fund	—	29,045
Student Activities Fund	2,171	856
Total Special Revenue Funds	9,420	30,650
Debt Service Funds:		
1996 Debt Service Fund:		
General Fund	35,717	—
1998 Debt Service Fund:		
General Fund	26,040	—
Total Debt Service Funds	61,757	—

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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	<u>Due From</u>	<u>Due To</u>
Capital Projects Funds:		
Building and Site Fund:		
General Fund	\$ 10,689	\$ —
Agency Fund:		
Student Activities Fund:		
General Fund	26,118	19,304
Food Service Fund	—	3,873
Athletics Fund	856	2,171
Total Agency Fund	<u>26,974</u>	<u>25,348</u>
<b>Total All Funds</b>	<u><u>\$ 157,938</u></u>	<u><u>\$ 157,938</u></u>

District accounting software provides that all checks be written through one fund (General Fund) with adjusting entries automatically made to other funds. This procedure generates multiple due to/from entries each month, which are reimbursed in the subsequent month.

Transfers between funds during the year ended June 30, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 592,499
Special Revenue Fund:		
Athletics Fund:		
General Fund	<u>592,499</u>	<u>—</u>
<b>Total All Funds</b>	<u><u>\$ 592,499</u></u>	<u><u>\$ 592,499</u></u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<b>Balances July 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2006</b>
Capital assets not depreciated:				
Land	\$ 115,296	\$ —	\$ —	\$ 115,296
Construction in progress	—	562,600	—	562,600
Capital assets being depreciated:				
Buildings and additions	45,081,432	359,644	—	45,441,076
Furniture and equipment	83,000	111,049	—	194,049
Vehicles	1,099,786	—	—	1,099,786
Totals at historical cost	<u>46,379,514</u>	<u>\$1,033,293</u>	<u>\$ —</u>	<u>47,412,807</u>
Less accumulated depreciation for:				
Buildings and additions	\$ 19,091,984	1,339,764	—	\$ 20,431,748
Furniture and equipment	53,469	12,788	—	66,257
Vehicles	679,374	78,368	—	757,742
Total accumulated depreciation	<u>19,824,827</u>	<u>\$1,430,920</u>	<u>\$ —</u>	<u>21,255,747</u>
<b>Net Capital Assets</b>	<u><b>\$ 26,554,687</b></u>			<u><b>\$ 26,157,060</b></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,256,319
Supporting services	104,278
Community services	12,884
Food service	25,394
Athletics	32,045
	<u>\$ 1,430,920</u>

**Note F – Short-term Debt**

On August 10, 2004, the District borrowed \$4,500,000 in anticipation of state aid at 1.57% which was repaid on August 20, 2005. On August 19, 2005 the District borrowed \$4,000,000 in anticipation of state aid (interest of 2.92%) due on August 18, 2006. Interest expense for the year was \$126,681.

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

**Note G – Long-term Debt**

Amounts available and to be provided for outstanding long-term debt at June 30, 2006 are summarized as follows:

	<b>Bond Issues</b>	<b>Durant Non-plaintiff Bonds</b>	<b>Severance/Early Retirement/ Vacation/ Sick Leave</b>	<b>Total</b>
<b>Amounts Available For Retirement Of Long-Term Debt</b>				
Debt Service Funds	\$ 3,121,980	\$ —	\$ —	\$ 3,121,980
<b>Amounts To Be Provided For Retirement Of Long-Term Debt</b>				
State of Michigan	—	432,010		432,010
General Fund	—	—	659,642	659,642
Debt Service Funds	18,938,020	—	—	18,938,020
<b>Total Amounts Available And To Be Provided</b>	<b>\$22,060,000</b>	<b>\$ 432,010</b>	<b>\$ 659,642</b>	<b>\$23,151,652</b>

Changes in long-term debt for the year ended June 30, 2006 are summarized as follows:

	<b>Debt Outstanding July 1, 2005</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2006</b>
General obligation bonds:				
May 1, 1996	\$ 2,980,000	\$ —	\$ 1,250,000	\$ 1,730,000
September 1, 1998	20,430,000	—	100,000	20,330,000
Durant non-plaintiff bonds:				
November 13, 1998	467,424	—	35,414	432,010
Accumulated vacation/sick leave	406,461	29,396	12,853	454,511
Severance pay	188,588	226,484	178,434	205,131
	<b>\$ 24,472,473</b>	<b>\$ 255,880</b>	<b>\$ 1,576,701</b>	<b>\$ 23,151,652</b>

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

Long-term bonds, notes and capital leases outstanding at June 30, 2006 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
\$32,175M 1996 Building and Site:				
Annual maturities of \$105M to \$1,250M	May 1, 2027	5.25 - 5.80	\$ 1,730,000	\$ 105,000
\$21,530M 1998 Refunding:				
Annual maturities of \$100M to \$1,405M	May 1, 2013	4.25 - 5.00	20,330,000	1,270,000
<b>Durant Non-plaintiff Bonds</b>				
\$731,647 1998 School Improvement:				
Annual maturities of \$35M to \$175M	May 15, 2013	4.761353	432,010	37,092
			<u>\$ 22,492,010</u>	<u>\$1,412,092</u>

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 1,412,092	\$ 1,083,696	\$ 2,495,788
2008	1,433,868	1,022,442	2,456,310
2009	1,450,719	959,503	2,410,222
2010	1,629,793	953,363	2,583,156
2011	1,514,686	825,764	2,340,450
2012	1,526,812	754,806	2,281,618
2013	1,544,040	681,867	2,225,907
2014	1,510,000	606,680	2,116,680
2015	1,525,000	530,220	2,055,220
2016	1,520,000	453,010	1,973,010
2017	1,510,000	376,050	1,886,050
2018	1,495,000	299,590	1,794,590
2019	1,485,000	223,880	1,708,880
2020	1,475,000	148,670	1,623,670
2021	1,460,000	73,960	1,533,960
	<u>\$22,492,010</u>	<u>\$ 8,993,501</u>	<u>\$31,485,511</u>

**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note H – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2006 was \$16,340,422. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$2,643,868, \$2,381,711 and \$2,119,992, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2004 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$46,317. The MPERS' net assets available for benefits on that date were \$38,784 leaving an unfunded pension benefit obligation of \$7,533. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2005 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2003 to September 30, 2004. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.



**NORTHVIEW PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

**Note I – Risk Management and Benefits**

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$114,726 in premiums to the Trust for the year ended June 30, 2006.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2006, there were no material pending claims against the District. The District paid \$165,293 in premiums to the Fund for the year ended June 30, 2006.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District maintains the Northview Public Schools Flexible Benefits Plan (the Plan). The Plan allows District employees to pay for certain medical expenses and dependent care expenses with before-tax income. In addition, depending on job classification, the Plan allows an employee the option of waiving health coverage and, instead, receiving additional compensation or other tax-free benefits. Also, if an employee is required to pay all or part of the cost of health coverage, the Plan allows the employee to pay this cost with before-tax income.

## **SUPPLEMENTAL INFORMATION**

## **NONMAJOR FUNDS**

**NORTHVIEW PUBLIC SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2006**

	Special Revenue	
	Food Service	Athletics
<b>Assets</b>		
Cash	\$ 407	\$ -
Cash equivalents, deposits and investments	178,206	152,348
Taxes receivable	-	-
Due from other funds	7,249	2,171
Due from other governmental units	7,543	-
Inventory	17,198	-
<b>Total Assets</b>	<b>\$ 210,603</b>	<b>\$ 154,519</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,523	\$ 228
Due to other funds	749	29,901
Due to other governmental units	101	997
Salaries payable	1,464	12,898
Deferred revenue	-	-
<b>Total Liabilities</b>	<b>6,837</b>	<b>44,024</b>
<b>Fund Balances</b>		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	203,766	110,495
<b>Total Fund Balances</b>	<b>203,766</b>	<b>110,495</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 210,603</b>	<b>\$ 154,519</b>

Debt Service			Capital Projects	
1996	1998	Durant	Building and Site	Total
\$ -	\$ -	\$ -	\$ -	\$ 407
1,784,796	1,275,427	-	236,244	3,627,021
19,980	15,709	-	6,136	41,825
35,717	26,040	-	10,689	81,866
-	-	-	-	7,543
-	-	-	-	17,198
<u>\$ 1,840,493</u>	<u>\$ 1,317,176</u>	<u>\$ -</u>	<u>\$ 253,069</u>	<u>\$ 3,775,860</u>
\$ -	\$ -	\$ -	\$ 384,449	\$ 389,200
-	-	-	-	30,650
-	-	-	-	1,098
-	-	-	-	14,362
19,980	15,709	-	6,136	41,825
<u>19,980</u>	<u>15,709</u>	<u>-</u>	<u>390,585</u>	<u>477,135</u>
1,820,513	1,301,467	-	-	3,121,980
-	-	-	(137,516)	(137,516)
-	-	-	-	314,261
<u>1,820,513</u>	<u>1,301,467</u>	<u>-</u>	<u>(137,516)</u>	<u>3,298,725</u>
<u>\$ 1,840,493</u>	<u>\$ 1,317,176</u>	<u>\$ -</u>	<u>\$ 253,069</u>	<u>\$ 3,775,860</u>

**NORTHVIEW PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2006**

	Special Revenue	
	Food Service	Athletics
<b>Revenues</b>		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	25,154	8,293
Sales and admissions	571,148	119,577
Other local sources	-	5,000
Total local sources	596,302	132,870
State sources	47,323	-
Federal sources	316,192	-
<b>Total Revenues</b>	<b>959,817</b>	<b>132,870</b>
<b>Expenditures</b>		
Current:		
Supporting services	-	-
Food service	878,580	-
Athletics	-	706,864
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
<b>Total Expenditures</b>	<b>878,580</b>	<b>706,864</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>81,237</b>	<b>(573,994)</b>
<b>Other Financing Sources</b>		
Transfers in	-	592,499
<b>Net Change in Fund Balances</b>	<b>81,237</b>	<b>18,505</b>
<b>Fund Balances, July 1</b>	<b>122,529</b>	<b>91,990</b>
<b>Fund Balances, June 30</b>	<b>\$ 203,766</b>	<b>\$ 110,495</b>

Debt Service			Capital Projects Building and Site	Total
1996	1998	Durant		
\$ 2,144,980	\$ 1,607,988	\$ -	647,264	\$ 4,400,232
75,339	46,396	-	8,268	163,450
-	-	-	-	690,725
-	-	-	-	5,000
2,220,319	1,654,384	-	655,532	5,259,407
-	-	51,379	-	98,702
-	-	-	-	316,192
2,220,319	1,654,384	51,379	655,532	5,674,301
-	-	-	720	720
-	-	-	-	878,580
-	-	-	-	706,864
-	-	-	920,508	920,508
1,250,000	100,000	35,414	-	1,385,414
165,424	977,485	15,965	-	1,158,874
1,415,424	1,077,485	51,379	921,228	5,050,960
804,895	576,899	-	(265,696)	623,341
-	-	-	-	592,499
804,895	576,899	-	(265,696)	1,215,840
1,015,618	724,568	-	128,180	2,082,885
<u>\$ 1,820,513</u>	<u>\$ 1,301,467</u>	<u>\$ -</u>	<u>\$ (137,516)</u>	<u>\$ 3,298,725</u>

**NORTHVIEW PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2006**

	Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>			
Local sources	\$ 664,950	\$ 596,302	\$ (68,648)
State sources	41,467	47,323	5,856
Federal sources	300,000	316,192	16,192
<b>Total Revenues</b>	<u>1,006,417</u>	<u>959,817</u>	<u>(46,600)</u>
<b>Expenditures</b>			
Current:			
Food service	944,718	878,580	66,138
<b>Net Change in Fund Balances</b>	61,699	81,237	19,538
<b>Fund Balances, July 1</b>	<u>122,529</u>	<u>122,529</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 184,228</u></u>	<u><u>\$ 203,766</u></u>	<u><u>\$ 19,538</u></u>



**NORTHVIEW PUBLIC SCHOOLS**  
**Athletics Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2006**

	Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>			
Local sources	\$ 95,592	\$ 132,870	\$ 37,278
<b>Expenditures</b>			
Current:			
Athletics	721,069	706,864	14,205
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(625,477)	(573,994)	51,483
<b>Other Financing Sources</b>			
Transfers in	592,499	592,499	-
<b>Net Change in Fund Balances</b>	(32,978)	18,505	51,483
<b>Fund Balances, July 1</b>	91,990	91,990	-
<b>Fund Balances, June 30</b>	\$ 59,012	\$ 110,495	\$ 51,483

**NORTHVIEW PUBLIC SCHOOLS**  
**Kent County, Michigan**

Auditor's Report On Compliance  
For Federal Grant Programs

For the year ended June 30, 2006

# **TABLE OF CONTENTS**

---

## **NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....</b>	<b>1</b>
<b>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....</b>	<b>3</b>
<b>Schedule of Expenditures of Federal Awards.....</b>	<b>6</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>12</b>
<b>Notes to Schedule of Expenditures of Federal Awards.....</b>	<b>14</b>

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 15, 2006

The Board of Education  
Northview Public Schools  
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northview Public Schools as of and for the year ended June 30, 2006, which collectively comprise Northview Public School's basic financial statements and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northview Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions, on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

The Board of Education  
Northview Public Schools  
September 15, 2006

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northview Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldrin, Nichols & Barten, P.C.*

Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

September 15, 2006

The Board of Education  
Northview Public Schools  
Grand Rapids, Michigan

**Compliance**

We have audited the compliance of Northview Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Northview Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northview Public School's management. Our responsibility is to express an opinion of Northview Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northview Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northview Public School's compliance with those requirements.

In our opinion, Northview Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Northview Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northview Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northview Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Northview Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldrin, Nichols & Austin, P.C.*

Certified Public Accountants

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
0515300405		\$134,795
0615300506		214,166
Total Title I		348,961
 Title IIA:	84.367	
0505200405		75,045
0605200506		75,374
Total Title IIA		150,419
 Title IID:	84.318	
0642900506		3,995
 Title V:	84.298	
0602500506		1,352
Total Passed Through MDE		504,727
 Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186	
062860-0506		7,688
 Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 0504500405		653,535
Flow Through – 0604500506		648,924
Total I.D.E.A. – Flow Through		1,302,459

(Continued)



Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$26,541	\$134,795	\$214,166	\$26,541 214,166	
26,541	134,795	214,166	240,707	—
14,505	75,045	75,374	14,505 75,374	
14,505	75,045	75,374	89,879	—
	3,426	3,995	3,995	
	2,014	1,352	1,352	
41,046	215,280	294,887	335,933	—
	8,437	7,688	7,688	
246,875	653,535	648,924	246,875 424,293	\$224,631
246,875	653,535	648,924	671,168	224,631

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
I.D.E.A. – TMT/ Transition: TMT – 0504800405 Transition – 0604900506	84.027A	\$719 10,000
Total I.D.E.A. – TMT/Transition		10,719
I.D.E.A. – Preschool: Preschool – 0504600405 Preschool – 0604600506	84.173	29,045 28,674
Total I.D.E.A. – Preschool		57,719
Total Special Education Cluster		1,370,897
Total Passed Through Intermediate School District		1,378,585
<b>Total U.S. Department of Education</b>		<b>1,883,312</b>
<b>U.S. Department of Health and Human Services</b> Passed Through Kent Intermediate School District (KISD): School Based Medicaid	93.778	6,386
<b>Total U.S. Department of Health and Human Services</b>		<b>6,386</b>
<b>U.S. Department of Agriculture Nutrition Cluster</b> Passed Through Michigan Department of Education (MDE): National School Lunch Program: Lunches: Section 4 – Total Servings – 1950 Section 11 – Free and Reduced – 1960	10.555	57,909 183,787
Total Lunches		241,696

*(Continued)*

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$260	\$719 10,000	\$10,000	\$260 10,000	
260	10,719	10,000	10,260	—
11,150	29,045	28,674	11,150 18,748	\$9,926
11,150	29,045	28,674	29,898	9,926
258,285	693,299	687,598	711,326	234,557
258,285	701,736	695,286	719,014	234,557
299,331	917,016	990,173	1,054,947	234,557
	661	6,386	3,966	2,420
	661	6,386	3,966	2,420
	55,812 154,453	57,909 183,787	57,909 183,787	
—	210,265	241,696	241,696	—

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
Breakfast:		
Total Servings – 1970	10.553	\$11,654
Free and Reduced – 1970		<u>40,932</u>
Total Breakfast		<u>52,586</u>
USDA Commodities:		
Bonus Commodities	10.550	1,240
Entitlement Commodities		<u>20,670</u>
Total USDA Commodities		<u>21,910</u>
<b>Total U.S. Department of Agriculture     (Passed Through MDE)</b>		<u>316,192</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$2,205,890</u></u>

- Notes:
1. This schedule was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.
  2. The amounts reported on the R7120, Grant Section Auditors Report, reconcile with this schedule.
  3. The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with this schedule for USDA donated food commodities.

<b>Accrued (Deferred) Revenue July 1, 2005</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue June 30, 2006</b>
	\$9,309	\$11,654	\$11,654	
	31,955	40,932	40,932	
—	41,264	52,586	52,586	—
	4,231	1,240	1,240	
	32,364	20,670	20,670	
—	36,595	21,910	21,910	—
—	288,124	316,192	316,192	—
\$299,331	\$1,205,801	\$1,312,751	\$1,375,105	\$236,977



## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

#### **Section I – Summary of Auditor's Results (Continued)**

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Dollar threshold used to distinguish between type A and  
type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes             No

#### **Section II – Financial Statement Findings**

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No matters reported.

#### **Section III – Federal Award Findings and Questioned Costs**

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No matters reported.

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **NORTHVIEW PUBLIC SCHOOLS**

For the year ended June 30, 2006

#### ***Note A – Federal Income Reconciliation***

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I	\$214,166	\$214,166	
Title IIA	75,374	75,374	
Title IID	3,995	3,995	
Title V	1,352	1,352	
I.D.E.A.	687,598	687,598	
Safe and Drug Free Schools and Communities Act	7,688	7,688	
School Based Medicaid	6,386	6,386	
Nutrition Cluster	316,192	316,192	
	<b>\$1,312,751</b>	<b>\$1,312,751</b>	<b>—</b>



Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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C P A s   A N D   C O N S U L T A N T S

September 15, 2006

The Board of Education  
Northview Public Schools

The following comments pertain to our audit of the financial records of Northview Public Schools as of and for the year ended June 30, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Northview Public Schools:

### **Auditors Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Northview Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Northview Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Northview Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Northview Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Northview Public School's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northview Public Schools are described in Note A to the financial statements.

### **Difficulties Encountered In Performing The Audit**

While we found the internal control structure and accounting system to be basically adequate and operating in the manner intended, we were required to spend significant additional audit field work time (including significant interim audit field work account analysis and adjusting journal entries) due to deficiencies in the District's monitoring systems in the following areas:

- A detailed analysis of each General Fund employee insurance liability and expenditure account and correcting entries were required to present the proper ending balances and allocation of expenditures, and to insure that district employee benefit expenditure accounts were charged the proper amounts during the year.
- A closer ongoing review of the property tax collections allocation process to insure that the proper District funds and accounts are being credited with the various types of property taxes collected from the Township disbursing the monies to the District.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

#### **General Fund**

1. \$5,922 to record 2005 delinquent personal property taxes receivable and \$47,152 to write off 2002 delinquent personal property taxes uncollected at June 30, 2006.
2. \$142,144 to correct the fund and account classification of property taxes collected during the 2005-06 fiscal year.
3. \$124,909,696 to record additional accounts payable at June 30, 2006.
4. \$83,585 to record accounts receivable for grants and reimbursements at June 30, 2006.
5. \$100,800 to record the accrued interest payable on the State Aid Loan at June 30, 2006.

Adjustments 1 and 2 above had corresponding balancing entries in the Debt Service Funds of the District.

### **Proposed Audit Adjustments**

There were no material adjustments proposed during the audit not recorded by Northview Public Schools.

### **Suggestions And Recommendations**

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Northview Public Schools to the Director of Finance and Operations and District payroll and accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

## Other Comments

All balance sheet accounts (for all funds) should be reconciled by District accounting personnel, and reviewed by the Director of Finance, on a monthly basis in a timely manner. Reviewing revenues and expenditures compared to the budget is not enough to insure that all transactions are being recorded, and that they are being recorded properly. The computer payroll and accounting system of the District utilizes balance sheet accounts for each transaction that occurs, so it is imperative that these accounts be continually monitored and reconciled.

The General Fund balance of the District increased by \$924,576 to \$4,334,241 at June 30, 2006. This balance represents approximately 14.9 percent of the District's 2006-7 expenditure budget (up from 12.3 percent at June 30, 2005). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Northview Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Northview Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the Northview Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Northview Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

*Hungerford, Alden, Nichols & Austin, P.C.*

Certified Public Accountants